

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EB-11 SCI-06 SCEM-02 COME-00 INT-08

OMB-01 TRSE-00 FPC-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 DRC-01 STR-08 AGR-20 /161 W

----- 022395

R 171430Z DEC 73

FM AMCONSUL CALGARY

TO SECSTATE WASHDC 880

INFO AMEMBASSYOTTAWA

UNCLAS CALGARY 435

E.O. 11652: N/A

TAGS: ENRG, CA

SUBJ: HISTORY-MAKING ENERGY LEGISLATION IN ALBERTA

1. TWO-WEEK SPECIAL ENERGY SESSION OF ALBERTA LEGISLATIVE ASSEMBLY, DESCRIBED BY PREMIER LUGHEED AS ONE OF MOST IMPORTANT PERIODS IN ALBERTAN HISTORY, WAS PROROUQUED DECEMBER 14. DURING SESSION APPROVAL WAS GIVEN TOSIX ENERGY BILLS, MOST IMPORTANT OF WHICH ARE PETROLEUM MARKETING ACT, WHICH GIVES PROVINCIALLY CONTROLLED PETROLEUM MARKET-ING COMMISSION POWER TO SET PRICES FOR ALBERTA CROWN LEASE PETROLEUM, AND MINES AND MINERALS AMENDMENT ACT, GIVING THE PROVINCE LEGISL-ATIVE CLEARANCE TO INCREASE OIL ROYALTIES. LATTER AMENDMENT REMOVES THE MAXIMUM ROYALTY CLAUSES CONTAINED IN MAJORITY OF CROWN LEASES AND INSTITUTES A FLOATING ROYALTY SYSTEM WHEREBY ROYALTIES WILL INCREASE AS PRICE OF PETROLEUM RISES AND PERMITS ALBERTA TO RECEIVE ROYALTY FROM CROWN LEASES IN FORM OF OIL.

2. OTHER ENERGY BILLS WINNING APPROVAL: ARBITRATION AMENDMENT ACT, A PLANK IN ALBERTA'S NATURAL GAS PRICEING PROGRAM: FREEHOLD TAXATION ACT, UNDER WHICH FREEHOLD OIL LEASES WILL BE SUBJECT TO AN OIL RESERVE TAX: THE GAS UTILITIES AMENDMENT ACT, WHICH GIVES ALBERTA RIGHT TO ORDER PUBLIC UTILITIES BOARD TO SET FAIR WHOLESALE PRICE FOR PROPANE AND BUTANE IF PRICES NOT

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LOWERED BY PRODUCERS BEFORE DECEMBER 31; AND GAS RESOURCES PRESER-  
VATION AMENDMENT ACT REMOVING FREEHOLD LEASES FROM JURISDICTION OF

GAS RESOURCES PRESERVATION ACT.

3. THE LEGISLATION WAS SUPPORTED BY OVERWHELMING MAJORITY OF MEMBERS, WITH ONLY TWO MOST IMPORTANT BILLS MEETING SCATTERED OPPOSITION FROM OPPOSITION BENCHES.

4. PREMIER GAVE NO INDICATION WHEN NEW OIL ROYALTY FORMULA WILL BE ANNOUNCED BUT STATED INTENSIVE DISCUSSIONS ARE BEING CARRIED OUT WITH OIL INDUSTRY REPRESENTATIVES AND THAT GOVERNMENT WOULD BE DEVOTING MUCH OF ITS TIME IN NEXT FEW WEEKS TO DEVELOPING AN INCENTIVE SYSTEM FOR OIL INDUSTRY SO EXPLORATION AND DRILLING ACTIVITY WOULD NOT BE CURTAILED. HE IS EXPECTED TO MEET WITH INDUSTRY REPRESENTATIVES IN CALGARY DECEMBER 17.

5. OTHER DEVELOPMENTS DURING SESSION THIS WEEK FOLLOW:

6. CONCERNING ACCUSATIONS MADE AGAINST HIM BY PRIME MINISTER TRUDEAU LAST WEEK, PREMIER SAID HE DID NOT BELIEVE IN PERSONAL ATTACKS AND DID NOT INTEND TO INDULGE IN THEM.

7. DURING DEBATE ON PETROLEUM MARKETING ACT PREMIER SAID ALBERTA WOULD WORK WITH OTTAWA TO FIND SOLUTION TO ENERGY DIFFERENCES BUT WITH SUCH FEDERAL POLICIES AS EXPORT TAX ON PETROLEUM AND EXTENDED PRICE FREEZE, CONFRONTATION IS AN "EXTREME POSSIBILITY" AND THAT HIS GOVERNMENT WOULD NOT BACK DOWN FROM CONFRONTATION

8. DURING SAME DEBATE PREMIER STATED OIL INDUSTRY HAD NOT DONE A GOOD JOB IN HANDLING PROVINCE'S NATURAL RESOURCES, THAT THEY HAD BEEN DEFICIENT IN SETTING WELLHEAD PRICES FOR CROWN LEASE PETROLEUM. THESE REMARKS HAVE DRAWN RESTRAINED COMMENT FROM CALGARY OILMEN.

9. WHILE DAMPENING SPECULATION ABOUT A PROVINCIAL ELECTION BY EXPRESSING HIS CONFIDENCE IN THE SUPPORT OF MAJORITY OF ALBERTANS FOR ENERGY POLICY, PREMIER STATED THAT IF THE ENERGY DIFFERENCES BETWEEN ALBERTA AND OTTAWA GREW TO POINT WHERE BACKING AS QUESTIONABLE, HE WOULD NOT HESITATE TO GO TO PEOPLE.

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QPM PREMIER WAS ASKED BY LEADER OF OPPOSITION IF ALBERTA GOVERNMENT HAD GIVEN SERIOUS CONSIDERATION TO DISCUSSION WITH GOVERNMENTS OF CANADA AND UNITED STATES USE OF EXPORT OF ALBERTA CRUDE OIL AS LEVER TO GUARANTEE AVAILABILITY OF PETROLEUM PRODUCTS. IN REPLY PREMIER SAID HE BELIEVED "IT WOULD BE BENEFICIAL TO CANADA IF THE ALBERTA GOVERNMENT WAS INVOLVED IN AN OBSERVER STATUS IN TERMS OF THE NEGOTIATIONS AND DISCUSSIONS ON TRADE MATTERS. INSOFAR AS THE IMPORTANT POSITION ENERGY HAS IN TRADE MATTERS BETWEEN THE TWO NATIONS." WHEN ASKED IF ALBERTA GOVERNMENT HAD

BEEN IN CONTACT WITH FEDERAL GOVERNMENT ON THAT MATTER HE REPLIED,  
"I WOULDN'T ACCEPT THAT WHAT WE HAVE BEEN INVOLVED IN IS THE QUESTION  
OF LEVERAGE. IN TERMS OF THIS PROVINCE, I THINK WE HAVE TO  
RECOGNIZE THE IMPORTANCE OF THE TREMENDOUS AMOUNT OF AGRICULTURAL AND  
FOREST PRODUCTS WE SHIP TO THE UNITED STATES, AND THE IMPORTANCE OF  
TRADE NEGOTIATIONS CONDUCTED ON A SENSIBLE AND MATURE BASIS BETWEEN  
THE TWO NATIONS. SO ONE SHOULD NOT BE TALKING ABOUT LEVERAGE. I  
DO THINK THERE IS PROPER ROOM FOR SOUND NEGOTIATION AND BARGAINING,  
AND IF ALBERTA WERE THERE AS PART OF THE BARGAINING TEAM FOR  
CANADA, IT WOULD BE BENEFICIAL TO THE WHOLE NATION."

11. MINES AND MINERALS MINISTER DICKE TOLD LEGISLATURE  
SYNCRUDE WILL PROCEED WITH CONSTRUCTION OF OIL SANDS  
EXTRACTION PLANT SUBJECT ONLY TO SATISFACTORY LABOR AGREEMENT AND  
THAT PROVINCIAL GOVERNMENT HAS SIGNED AN AMENDED LETTER OF INTENT  
WITH SYNCRUDE CONSORTIUM. SYNCRUDE PRESIDENT FRANK SPRAGINS  
SAYS COMPANY GOT FIRM COMMITMENT FROM FEDERAL GOVERNMENT ON  
GENERAL PRINCIPLES RELATED TO SYNCRUDE DESIRE FOR PRICE ASSURANCE.

12. PREMIER TOLD LEGISLATURE THAT ALBERTA GOVERNMENT HAS RECEIVED  
CORRESPONDENCE FROM SASKATCHEWAN GOVERNMENT WANTING TO DISCUSS  
JOINT PARTICIPATION IN OIL SANDS DEVELOPMENT.

13. SYNTHETIC CRUDE ACCORDING TO NEW BILL DOES NOT COME UNDER  
MARKETING COMMISSION. PREMIER STATED THAT IF GOVERNMENT  
DECIDES TO CHANGE THAT, AMENDMENTS WILL BE INTRODUCED AT SPRING  
SESSION OF LEGISLATURE. MINISTER DICKIE TOLD REPORTERS MARKETING  
COMMISSION'S OFFICES ARE LIKELY TO BE IN CALGARY WHERE  
MOST CRUDE OIL PURCHASERS LOCATED. HOWEVER IF TAR SANDS OIL IS  
INCLUDED MANY BELIEVE EDMONTON MIGHT BE SELECTED.

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## Message Attributes

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